

**MINUTES OF THE
TAX REFORM TASK FORCE**

Thursday, June 16, 2005 – 12:00 noon – Room W135 House Building

Members Present:

Sen. Curtis S. Bramble, Senate Chair
Rep. Wayne A. Harper, House Chair
Sen. Howard A. Stephenson
Rep. Ralph Becker
Rep. John Dougall
Rep. Todd E. Kiser
Rep. Rosalind J. McGee
Rep. Merlynn T. Newbold
Rep. Gordon E. Snow
Comm. Pam R. Hendrickson
Mr. Neil H. Ashdown

Members Absent:

Sen. Mike Dmitrich
Pres. John L. Valentine
Rep. Gregory H. Hughes
Rep. Stephen H. Urquhart

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Cassandra N. Bauman, Legislative Secretary

Note: A list of others present and a copy of related materials can be found at www.le.utah.gov or by contacting the task force secretary, Phalin Flowers, at 538-1032. A recording of the meeting is available from the task force secretary.

1. Task Force Business

Chair Harper called the meeting to order at 12:36 p.m. He announced that the next Task Force and subcommittee meetings are scheduled for Wednesday, July 13, 2005, beginning at 8:00 a.m.

2. Subcommittee Reports

Property Tax Subcommittee

Rep. Snow indicated that the Subcommittee reviewed the state's centrally assessed property tax system. He said that the Subcommittee received testimony from the Utah State Tax Commission, the Utah Association of Counties, PacifiCorp, Qwest, and Arch Coal. He indicated that one of the recommendations by former Governor Walker's tax advisors was that a meeting be convened between executives of centrally assessed companies and county officials. While the Subcommittee has no specific recommendations at this time, it did receive several proposals that are under consideration.

Sales and Use Tax Subcommittee

Rep. Harper distributed and reviewed "Report of the Sales and Use Tax Subcommittee: June 16, 2005 Subcommittee Meeting." He stated that the Subcommittee will be focusing on the fiscal impacts relating to broadening the sales and use tax base including impacts on individual taxpayers, businesses, and economic development.

Income Tax Subcommittee

Sen. Stephenson stated that the Subcommittee received testimony from Intermountain Power Agency regarding the state gross receipts tax imposed only on certain power suppliers and producers. He said that legislation is being prepared on the issue. Sen. Stephenson indicated that the Subcommittee had considerable discussion on the individual income tax including the individual income tax legislation introduced by Rep. Jones and Rep. Mascaro during the last three General Sessions. He said that the Subcommittee also considered a flat tax imposed on the basis of federal adjusted gross income.

Rep. McGee explained that the Subcommittee will address state corporate franchise and income taxes at its next meeting and that she has requested that three specific topics be discussed. Mr. Dean stated that those topics include a business value-added tax (similar to Michigan), a single sales factor apportionment of business income in place of or addition to a double-weighted sales factor, and a minimum exemption amount for certain marginally profitable businesses.

RDA and Other Taxes Subcommittee

Rep. Newbold indicated that the Subcommittee discussed the distribution of the one percent local option sales and use tax. She stated that approximately 20 percent of revenue for counties and municipalities is from the sales and use tax. She indicated that the subcommittee discussed past efforts to gradually reduce the "hold harmless" provision. Rep. Newbold also commented that the Subcommittee considered adding wages as a factor in the distribution formula, which would hopefully more closely align state and local economic development priorities.

She noted that the Subcommittee received testimony from Fidelity Investments regarding a proposed new life insurance product in Utah and how Utah's insurance premium tax makes it difficult to market this new product.

3. Other Items / Adjourn

MOTION: Rep. Dougall moved to adjourn the meeting. The motion passed unanimously.

Chair Harper adjourned the meeting at 12:52 p.m.